



## Senate

General Assembly

**File No. 306**

January Session, 2011

Substitute Senate Bill No. 979

*Senate, March 31, 2011*

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

**AN ACT CONCERNING THE ASSESSMENT METHODOLOGY USED  
BY THE INSURANCE DEPARTMENT AND THE OFFICE OF THE  
HEALTHCARE ADVOCATE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-47 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2011*):

3 All domestic insurance companies and other domestic entities  
4 [subject to taxation under chapter 207] shall, in accordance with section  
5 38a-48, annually pay to the Insurance Commissioner, for deposit in the  
6 Insurance Fund established under section 38a-52a, an amount equal to  
7 the actual expenditures made by the Insurance Department during  
8 each fiscal year, and the actual expenditures made by the Office of the  
9 Healthcare Advocate, including the cost of fringe benefits for  
10 department and office personnel as estimated by the Comptroller, plus  
11 (1) the expenditures made on behalf of the department and the office  
12 from the Capital Equipment Purchase Fund pursuant to section 4a-9  
13 for such year, and (2) the amount appropriated to the Department of

14 Social Services for the fall prevention program established in section  
15 17b-33 from the Insurance Fund for the fiscal year, but excluding  
16 expenditures paid for by fraternal benefit societies, foreign and alien  
17 insurance companies and other foreign and alien entities under  
18 sections 38a-49 and 38a-50. Payments shall be made by assessment of  
19 all such domestic insurance companies and other domestic entities  
20 calculated and collected in accordance with the provisions of section  
21 38a-48. Any such domestic insurance company or other domestic  
22 entity aggrieved because of any assessment levied under this section  
23 may appeal therefrom in accordance with the provisions of section  
24 38a-52.

25 Sec. 2. Section 38a-48 of the general statutes is repealed and the  
26 following is substituted in lieu thereof (*Effective July 1, 2011*):

27 [(a) On or before June thirtieth, annually, the Commissioner of  
28 Revenue Services shall render to the Insurance Commissioner a  
29 statement certifying the amount of taxes or charges imposed on each  
30 domestic insurance company or other domestic entity under chapter  
31 207 on business done in this state during the preceding calendar year.  
32 The statement for local domestic insurance companies shall set forth  
33 the amount of taxes and charges before any tax credits allowed as  
34 provided in section 12-202.]

35 [(b)] (a) On or before July thirty-first, annually, the Insurance  
36 Commissioner and the Office of the Healthcare Advocate shall render  
37 to each domestic insurance company or other domestic entity liable for  
38 payment under section 38a-47: [,]

39 (1) [a] A statement [which] that includes (A) the amount  
40 appropriated to the Insurance Department and the Office of the  
41 Healthcare Advocate for the fiscal year beginning July first of the same  
42 year, (B) the cost of fringe benefits for department and office personnel  
43 for such year, as estimated by the Comptroller, (C) the estimated  
44 expenditures on behalf of the department and the office from the  
45 Capital Equipment Purchase Fund pursuant to section 4a-9 for such  
46 year, and (D) the amount appropriated to the Department of Social

47 Services for the fall prevention program established in section 17b-33  
48 from the Insurance Fund for the fiscal year; [,]

49 (2) [a] A statement of the total [taxes imposed on all domestic  
50 insurance companies and domestic insurance entities under chapter  
51 207 on business done] direct written insurance premiums and  
52 subscriber charges collected by all such companies and entities in this  
53 state during the preceding calendar year; [,] and

54 (3) [the] The proposed assessment against that company or entity,  
55 calculated in accordance with the provisions of subsection [(c)] (b) of  
56 this section, provided that for the purposes of this calculation the  
57 amount appropriated to the Insurance Department and the Office of  
58 the Healthcare Advocate plus the cost of fringe benefits for department  
59 and office personnel and the estimated expenditures on behalf of the  
60 department and the office from the Capital Equipment Purchase Fund  
61 pursuant to section 4a-9 shall be deemed to be the actual expenditures  
62 of the department and the office, and the amount appropriated to the  
63 Department of Social Services from the Insurance Fund for the fiscal  
64 year for the fall prevention program established in section 17b-33 shall  
65 be deemed to be the actual expenditures for the program.

66 [(c)] (b) (1) The proposed assessments for each domestic insurance  
67 company or other domestic entity shall be calculated [by (A) allocating  
68 twenty per cent of the amount to be paid under section 38a-47 among  
69 the domestic entities organized under sections 38a-199 to 38a-209,  
70 inclusive, and 38a-214 to 38a-225, inclusive,] in proportion to their  
71 respective shares of the total [taxes and charges imposed under  
72 chapter 207 on such entities on] direct written insurance premiums and  
73 subscriber charges collected by all such companies and entities for  
74 business done in this state during the preceding calendar year. [, and  
75 (B) allocating eighty per cent of the amount to be paid under section  
76 38a-47 among all domestic insurance companies and domestic entities  
77 other than those organized under sections 38a-199 to 38a-209,  
78 inclusive, and 38a-214 to 38a-225, inclusive, in proportion to their  
79 respective shares of the total taxes and charges imposed under chapter

80 207 on such domestic insurance companies and domestic entities on  
81 business done in this state during the preceding calendar year,  
82 provided if there are no domestic entities organized under sections  
83 38a-199 to 38a-209, inclusive, and 38a-214 to 38a-225, inclusive, at the  
84 time of assessment, one hundred per cent of the amount to be paid  
85 under section 38a-47 shall be allocated among such domestic insurance  
86 companies and domestic entities.]

87 (2) When the amount any such company or entity is assessed  
88 pursuant to this section exceeds twenty-five per cent of the actual  
89 expenditures of the Insurance Department and the Office of the  
90 Healthcare Advocate, such excess amount shall not be paid by such  
91 company or entity but rather shall be assessed against and paid by all  
92 other such companies and entities in proportion to their respective  
93 shares of the total [taxes and charges imposed under chapter 207 on]  
94 direct written insurance premiums and subscriber charges collected by  
95 all such companies and entities for business done in this state during  
96 the preceding calendar year, except that for purposes of any  
97 assessment made to fund payments to the Department of Public  
98 Health to purchase vaccines, such company or entity shall be  
99 responsible for its share of the costs, notwithstanding whether its  
100 assessment exceeds twenty-five per cent of the actual expenditures of  
101 the Insurance Department and the Office of the Healthcare Advocate.  
102 The provisions of this subdivision shall not be applicable to any  
103 corporation [which] that has converted to a domestic mutual insurance  
104 company pursuant to section 38a-155 upon the effective date of any  
105 public act [which] that amends said section to modify or remove any  
106 restriction on the business such a company may engage in, for  
107 purposes of any assessment due from such company on and after such  
108 effective date.

109 [(d)] (c) For purposes of calculating the amount of payment under  
110 section 38a-47, as well as the amount of the assessments under this  
111 section, the ["total taxes imposed on all domestic insurance companies  
112 and other domestic entities under chapter 207"] "direct written  
113 insurance premiums and subscriber charges collected by all such

114 companies and entities" shall be based upon the amounts [shown as  
115 payable to the state for the calendar year on the returns filed with the  
116 Commissioner of Revenue Services pursuant to chapter 207; with  
117 respect to calculating the amount of payment and assessment for local  
118 domestic insurance companies, the amount used shall be the taxes and  
119 charges imposed before any tax credits allowed as provided in section  
120 12-202] reported to the Insurance Commissioner and the National  
121 Association of Insurance Commissioners pursuant to section 38a-53.

122 [(e) On or before September thirtieth, annually, for each fiscal year  
123 ending prior to July 1, 1990, the Insurance Commissioner and the  
124 Healthcare Advocate, after receiving any objections to the proposed  
125 assessments and making such adjustments as in their opinion may be  
126 indicated, shall assess each such domestic insurance company or other  
127 domestic entity an amount equal to its proposed assessment as so  
128 adjusted. Each domestic insurance company or other domestic entity  
129 shall pay to the Insurance Commissioner on or before October thirty-  
130 first an amount equal to fifty per cent of its assessment adjusted to  
131 reflect any credit or amount due from the preceding fiscal year as  
132 determined by the commissioner under subsection (g) of this section.  
133 Each domestic insurance company or other domestic entity shall pay  
134 to the Insurance Commissioner on or before the following April  
135 thirtieth, the remaining fifty per cent of its assessment.]

136 [(f)] (d) On or before September first, annually, for each current  
137 fiscal year, [ending after July 1, 1990,] the Insurance Commissioner and  
138 the Healthcare Advocate, after receiving any objections to the  
139 proposed assessments and making such adjustments as in their  
140 opinion may be indicated, shall assess each such domestic insurance  
141 company or other domestic entity an amount equal to its proposed  
142 assessment as so adjusted. Each domestic insurance company or other  
143 domestic entity shall pay to the Insurance Commissioner (1) [on or  
144 before June 30, 1990, and] on or before June thirtieth, annually,  
145 [thereafter,] an estimated payment against its assessment for the  
146 following year equal to twenty-five per cent of its assessment for the  
147 then current fiscal year, [ending such June thirtieth,] (2) on or before

148 September thirtieth, annually, twenty-five per cent of its assessment  
149 adjusted to reflect any credit or amount due from the preceding fiscal  
150 year as determined by the commissioner under subsection [(g)] (e) of  
151 this section, and (3) on or before the following December thirty-first  
152 and March thirty-first, annually, each domestic insurance company or  
153 other domestic entity shall pay to the Insurance Commissioner the  
154 remaining fifty per cent of its proposed assessment to the department  
155 in two equal installments.

156 [(g)] (e) If the actual expenditures for the fall prevention program  
157 established in section 17b-33 are less than the amount allocated, the  
158 Commissioner of Social Services shall notify the Insurance  
159 Commissioner and the Healthcare Advocate. Immediately following  
160 the close of the fiscal year, the Insurance Commissioner and the  
161 Healthcare Advocate shall recalculate the proposed assessment for  
162 each domestic insurance company or other domestic entity in  
163 accordance with subsection [(c)] (b) of this section using the actual  
164 expenditures made by the Insurance Department and the Office of the  
165 Healthcare Advocate during that fiscal year, the actual expenditures  
166 made on behalf of the department and the office from the Capital  
167 Equipment Purchase Fund pursuant to section 4a-9 and the actual  
168 expenditures for the fall prevention program. On or before July thirty-  
169 first, the Insurance Commissioner and the Healthcare Advocate shall  
170 render to each such domestic insurance company and other domestic  
171 entity a statement showing the difference between their respective  
172 recalculated assessments and the amount they have previously paid.  
173 On or before August thirty-first, the Insurance Commissioner and the  
174 Healthcare Advocate, after receiving any objections to such statements,  
175 shall make such adjustments which in their opinion may be indicated,  
176 and shall render an adjusted assessment, if any, to the affected  
177 companies.

178 [(h)] (f) If any assessment is not paid when due, a penalty of twenty-  
179 five dollars shall be added thereto, and interest at the rate of six per  
180 cent per annum shall be paid thereafter on such assessment and  
181 penalty.

182        [(i)] (g) The commissioner shall deposit all payments made under  
183 this section with the State Treasurer. [On and after June 6, 1991, the]  
184 The moneys so deposited shall be credited to the Insurance Fund  
185 established under section 38a-52a and shall be accounted for as  
186 expenses recovered from insurance companies.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2011</i>	38a-47
Sec. 2	<i>July 1, 2011</i>	38a-48

**Statement of Legislative Commissioners:**

In section 2(d), after "On or before September first, annually," "the current fiscal year" was changed to "each current fiscal year" for clarity and accuracy; and in section 2(d)(1), "then" was inserted before "current" for clarity and accuracy.

**INS**        *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

This bill changes the methodology by which the Insurance Department assesses private insurers for the state costs borne by the Insurance Fund. As it does not change the overall amount that is assessed, only the distribution among private entities, there is no fiscal impact.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None



**OLR Bill Analysis****sSB 979*****AN ACT CONCERNING THE ASSESSMENT METHODOLOGY USED BY THE INSURANCE DEPARTMENT AND THE OFFICE OF THE HEALTHCARE ADVOCATE.*****SUMMARY:**

This bill establishes a new methodology the Insurance Department must use to determine the statutory assessment levied on insurers to fund the department's and the Office of the Healthcare Advocate's (OHA) operations. Under current law, the assessment is based on premium taxes reported to the Insurance Department by the Department of Revenue Services. The bill instead requires the assessment be based on the direct written insurance premiums and subscriber charges imposed during the preceding calendar year.

By law, Connecticut insurance companies and hospital and medical service corporations annually pay the insurance commissioner the (1) actual expenditures, including fringe benefits and capital equipment purchases, of the Insurance Department and OHA and (2) an amount that covers the Department of Social Service's fall prevention program appropriation. The commissioner deposits these payments in the Insurance Fund.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2011

**ASSESSMENTS*****Definition***

Under the bill, "direct written insurance premiums and subscriber charges" are based on the amounts insurers annually report to the insurance commissioner and the National Association of Insurance

Commissioners.

**Calculation**

The bill requires the assessment to be calculated in proportion to each insurer's respective share of the direct written insurance premiums and subscriber charges collected by all insurers for business done in the state during the preceding calendar year.

Current law requires the assessment to be determined in part by allocating 20% of the total against hospital and medical service corporations and 80% against domestic insurers, unless there are no hospital or medical service corporations doing business in the state, in which case domestic insurers are allocated 100% of the total. Each entity must pay an amount proportionate to their share of the total premium taxes and other charges imposed on state business during the preceding calendar year.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 12      Nay 7      (03/17/2011)